

REQUEST FOR CATEGORICAL EXCLUSION**PROGRAM/ACTIVITY DATA:****Program/Activity Number:** (_____)**Country/Region:** Iraq**Program/Activity Title:** Iraq Loan Guarantee**Funding Begin:** 01/10/2017 (est)**Funding End:** 01/10/2024 (est)**Prepared By:** Vladan Raznatovic**Current Date:** 11/28/16**Expiration Date:** 01/10/2024**Amendment (Y/N):** No If "yes," Filename & date of original IEE _____**ENVIRONMENTAL ACTION RECOMMENDED:** (Place X where applicable)Categorical Exclusion: x Negative Determination: _____

Positive Determination: _____ Deferral: _____

SUMMARY OF FINDINGS AND RECOMMENDED THRESHOLD DECISION

The President met with the other leaders of the G-7 on May 27, 2016 in Ise-Shima, Japan, where G-7 leaders recognized the challenges of persistent geopolitical conflicts and the rise of violent extremism. The G-7 underscored its responsibility to lead international efforts to tackle these challenges and to forge a path forward. It expressed support for Iraq, in particular, commending Iraqi forces' efforts in the fight against the Islamic State in Iraq and Syria, more commonly referred as Da'esh in Arabic. The President signaled the United States Government readiness to supplement a new International Monetary Fund (IMF) program, which would mobilize more than \$3.6 billion in bilateral and other direct budget assistance to Iraq. This package would help unlock as much as \$18 billion in assistance for Iraq over three years and alleviate the Iraqi fiscal crisis brought on by the collapse of world oil prices and compounded by poor macroeconomic policies and fiscal practices. The President specifically committed \$1 billion to this effort through the form of a Sovereign Loan Guarantee (SLG), between USAID and the Government of Iraq (GOI).

The Administration has initiated steps in the FY 2017 appropriations bill to seek funding for subsidy costs and authorization for an Iraq SLG. USAID expects these funds and authorization to be included in an FY2016 Continuing Resolution, and, once granted, the United States Government will announce its intention to initiate steps to negotiate a Loan Guarantee Agreement (LGA) with the GOI. This announcement would allow USAID to issue a loan guarantee by the end of the Administration.

A loan guarantee would help the GOI access needed financing at favorable terms to address short-term budget needs, while providing an incentive for macroeconomic reform. The LGA would help the GOI maintain access to external financing on reasonable terms, and achieve its longer-term economic development and reform goals. The GOI recognizes the need to reform its economic and fiscal policies to address the fiscal crisis. The USAID guarantee would support the

GOI reform agenda and complement the Iraq Stand by Arrangement (SBA) with the IMF, approved by the IMF board in July 2016.

The subsidy cost of roughly \$305 million (depending on the loan term) would allow the GOI to access \$1 billion of bond financing on international markets at reduced rates. Previous loan guarantees for Jordan, Ukraine, and Tunisia have received categorical exclusions from environmental-review requirements. The Iraq loan guarantee is not foreseen to have any environmental impact, as no U.S. funds would be disbursed, except in the case of default, and in that case the funds would be provided to international bond investors.

1. Background and Activity/Program Description

1.1 Background

The LGA will help the GOI establish a relationship with private markets and bolster future GOI ability to access private markets. More favorable borrowing rates also would help the GOI manage its debt obligations, ease the budgetary strain of its ongoing military offensive against Da'esh, and provide fiscal breathing space. The U.S. loan guarantee of \$1 billion would signal Iraqi intent to engage in politically sensitive macroeconomic reforms and demonstrate the USG commitment to assisting the GOI. The Conditions Precedent (CPs) of the LGA would complement the SBA with the IMF. The CPs also would reinforce the need to complete the structural reforms needed to make the Iraq public debt and budget process more transparent and accountable and encourage fiscal decentralization, essential to overall decentralization success.

The final CPs would be negotiated, after USAID receives authorization to pursue an LGA with the GOI. CPs will be finalized following the completion of negotiations with the GOI and prior to the signing of the LGA.

1.2 Description of Activities

USAID activities involve: (1) working with Government of Iraq retained underwriters in preparing and reviewing documentation for the transaction; (2) reviewing GOI submitted letters and documents attesting to completion of CPs; (3) giving feedback to help GOI clarify its response to USG showing that GOI had met CPs; (4) reviewing the GOI final verification of completion of CP and the unofficial coupon estimate for subsidy cost determination; (5) updating the subsidy model to reflect final terms of the loan guarantee; (6) transmitting a draft preliminary offering document, final subsidy model, and program and financing account apportionments to OMB for approval; (7) determining that CPs were met, (8) transmitting a letter stating CPs have been met; (9) sending a diplomatic note notifying GOI that domestic requirements for entry into force have been met; (10) approving the entry into force and obligation of funds to guarantee subsidy cost; (11) delivering a diplomatic note, entering the LGA into force together with the GOI, (12) publishing terms and conditions of the guarantees in the Federal Register; and (13) monitoring bond closing and the issuance of bonds by underwriters and distribution of proceeds.

Recommended Action:

Because activities outlined in above will not affect the natural or physical environment or are otherwise excluded, they meet the criteria for Categorical Exclusion from the procedures under 22 CFR 216.3, as set forth in 22 CFR 216.2(c)(1)(i) and (ii).

Categorical Exclusions are further recommended, pursuant to 22 CFR 216.2(c)(2)(i), (iii), (v), and (xiv) under the following classes of actions:

- (a) Technical assistance, education and training [216.2(c)(2)(i)];
- (b) Analysis, studies, meetings and workshops [216.2(c)(2)(iii)];
- (c) Document and information transfer [216.2(c)(2)(v)]; and,
- (d) Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment (such as construction of facilities, etc. [216.2(c)(2)(xiv)]).

COMPLIANCE

Pursuant to USAID environmental procedures, including ADS 204.3.4., the Contracting/Agreement Officer's Representative (C/AOR) or Activity Manager and the activity implementing partner are required to actively monitor their activities to ensure they remain within the bounds of the above stated environmental threshold decisions. This monitoring requires periodical field checks in the activity implementation areas to verify whether any activities are being implemented that could result in unforeseen adverse environmental impacts that could be occurring, and to ensure that the activities remain within the bounds of the IEE.

REVISIONS

As with all USAID-funded projects, and pursuant to 22 CFR 216.3(a)(9), if new information becomes available that indicates any of the proposed actions to be funded by this activity might be "major" and their effects "significant," the threshold decision for the actions listed above will be reviewed and revised by the originator(s) of the program and projects and submitted through the MEO to the Bureau Environmental Officers, ME, for approval and, if warranted, an environmental assessment will be prepared by the Mission as appropriate. It is the responsibility of the AOR/COR to keep the Mission Environmental Officer and the BEO informed of any new information or changes in the activity that might require revision of the IEE. If the Bilateral Agreement duration extends without any changes in the Scope of Work, the IEE will extend automatically.

**APPROVAL OF RECOMMENDED ENVIRONMENTAL ACTION - IRAQ LOAN
GUARANTEE**

Approval: _____
Brooke Isham
Mission Director
Date

Clearances:

William Patterson
Deputy Mission Director
Date

by e-mail
Alexandra Hadzi-Vidanovic
Regional Environmental Advisor,
Middle East
11/21/2016
Date

by e-mail
Warren D. Leishman
Resident Legal Officer
11/22/2016
Date

Nancy Godfrey
Program Office Director
Date

Michael Nehrbass
GEO Office Director
Date

Vladan Raznatovic
Mission Environmental Officer
Date

CONCURRENCE:

Approval: _____
John Wilson
ME Bureau Environmental Officer
Date

**APPROVAL OF RECOMMENDED ENVIRONMENTAL ACTION - IRAQ LOAN
GUARANTEE**

Approval:



Brooke Isham
Mission Director

11/27/2016

Date

Clearances:



William Patterson
Deputy Mission Director

Nov. 27, 2016

Date

by e-mail

Alexandra Hadzi-Vidanovic
Regional Environmental Advisor,
Middle East

11/21/2016

Date

by e-mail

Warren D. Leishman
Resident Legal Officer

11/22/2016

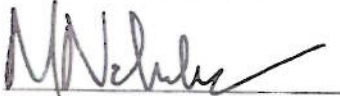
Date



Nancy Godfrey
Program Office Director

11-23-2016

Date



Michael Nehrbas
GEO Office Director

11-23-2016

Date



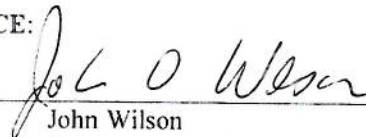
Vladan Raznatovic
Mission Environmental Officer

11/23/2016

Date

CONCURRENCE:

Approval:



John Wilson
ME Bureau Environmental Officer

11/28/2016

Date



Vladan Raznatovic <vraznatovic@usaid.gov>

Fwd: DRAFT Iraq Loan Guaranty Activity

Warren Leishman <wleishman@usaid.gov>

Tue, Nov 22, 2016 at 5:59 PM

To: Alexandra Hadzi-Vidanovic <ahadzi-vidanovic@usaid.gov>, Vladan Raznatovic <vraznatovic@usaid.gov>, Nancy Godfrey <ngodfrey@usaid.gov>

Cc: Shavonna Maxwell <smaxwell@usaid.gov>, Marinn Mansell <mmansell@usaid.gov>

This IEE for a categorical exclusion looks good, acting RLO clears.

-Warren

Warren D. Leishman
Resident Legal Officer
USAID/Jordan
Tel: 06 590-6611
Mob: 079 687-6307

This message may contain privileged attorney work product / attorney-client communication.

From: Shavonna Maxwell <smaxwell@usaid.gov>
Date: November 21, 2016 at 8:28:03 PM GMT+2
To: Warren Leishman <wleishman@usaid.gov>
Cc: <mmansell@usaid.gov>
Subject: Fwd: DRAFT Iraq Loan Guaranty Activity

Hi Warren,

Attached is the Iraq SLG IEE for your review. I have advised the Mission you will be clearing. Please send your clearance to Vladan Raznatovic (MEO), copying Alex Hadzi-Vidanovic (REA), Nancy Godfrey (Program), me and Marinn.

Many thanks!

Shavonna

Sent from my iPhone

Begin forwarded message:

From: Vladan Raznatovic <vraznatovic@usaid.gov>
Date: November 21, 2016 at 09:00:30 EST
To: Marinn Mansell <mmansell@usaid.gov>
Cc: Elaine Grigsby <egrigsby@usaid.gov>, Michael Nehrbass <mnehrbass@hotmail.com>, "Dayal, Mohit (ME/IAPA)" <mdayal@usaid.gov>, John Nehrbass <mnehrbass@usaid.gov>, Alexandra Hadzi-Vidanovic <ahadzi-vidanovic@usaid.gov>
Subject: Re: DRAFT Iraq Loan Guaranty Activity

Marinn,

please see attached the IEE for Iraq LGA for your clearance. The document is already cleared by the technical office and REA and following your clearance it will be sent to MD and BEO for further clearances.

We are sending this to you because you are involved in LGA from the beginning and also currently our RLA is out of the office.

Please let me know if you need any additional info.

thank you
Vladan

On Mon, Nov 21, 2016 at 4:40 PM, Alexandra Hadzi-Vidanovic <ahadzi-vidanovic@usaid.gov> wrote:

Dear Vladan,

I have no objection to the environmental threshold decision in the draft IEE that you sent me. Loan guarantees are usually a categorical exclusion b/c we can't control what happens three steps down.

Please let me know if you have any questions. I can sign the IEE once the mission has signed off.

Thanks,
Alex

Alexandra M. Hadzi-Vidanovic
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USAID Middle East Regional Platform
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Note: Frankfurt is +6 hours from Washington, DC

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Vladan Raznatovic, Governance Advisor (Civil Society)
Office of Governance & Economic Opportunities (GEO)
U.S. Agency for International Development (USAID)
Baghdad, Iraq

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4 attachments

-  [mime-attachment.html](#)
1K
-  [ATT00001.htm](#)
1K
-  [IEE IraqLGA_V1 11212016.docx](#)
23K
-  [ATT00002.htm](#)
1K

